



TENNESSEE DEPARTMENT OF REVENUE
COMMISSIONER LOREN L. CHUMLEY
www.Tennessee.gov/revenue

Streamlined Sales and Use Tax Project

Fact Sheet

What is the Streamlined Sales and Use Tax Agreement?

- The Streamlined Sales and Use Tax Agreement provides a way to address the uneven playing field that exists between local merchants and remote merchants with regard to sales tax collection requirements.
- The Agreement also provides a way to address the loss of revenues that governments are experiencing as a result of the growth of electronic commerce.
- The Streamlined Sales Tax Project, formed in 2000, is an effort by Tennessee, 43 other states and the District of Columbia to develop more simplified and uniform sales and use tax laws in all the states that will assist businesses in complying with multiple states' tax laws. Its members include tax administrators, local governments and many businesses and tax professionals.
- The Streamlined Sales and Use Tax Implementing States, formed in 2002, brought together the efforts and recommendations for uniformity and simplification of the Streamlined Sales Tax Project and the National Conference of State Legislatures and adopted the Streamlined Sales and Use Tax Agreement Nov. 12, 2002. Its makeup includes members of state legislatures and representatives appointed by state governors. The Streamlined Sales and Use Tax Implementing States adopted the uniformity and simplification provisions that make up the Agreement. The Streamlined Implementing States debated recommendations of the project and adopted amendments to the Agreement in 2003, 2004 and 2005

Is this a new tax?

No. It is important to remember that Streamlined Sales Tax is not a new tax. It is a way to make sales tax simpler and more uniform. By making each of the states laws simpler and more uniform, states hope to collect tax that has been part of our laws for nearly 50 years. Consumers owe this today but generally do not pay this tax.

What happened Oct. 1, 2005?

- The Agreement became effective Oct. 1, 2005, when 13 states whose populations exceeded the requirement that 20 percent of the populations of states that have sales and use tax had changed their laws to conform to the requirements in the Agreement and were found to be in substantial compliance with the Agreement. These full-member states are: Indiana, Iowa, Kansas, Kentucky, Michigan, Minnesota, Nebraska, New Jersey, North Carolina, North Dakota, Oklahoma, South Dakota, and West Virginia.

- The Agreement allows for an associate membership for a state that has passed all the law changes to conform to the Agreement but the law changes are not yet effective or for a state that has passed only partial law changes to conform to the Agreement. The associate-member states are Arkansas, Ohio, Tennessee, Utah, and Wyoming. Nevada will be an associate-member Jan. 1, 2006. Associate-member states have limited voting rights under the Agreement, and a seller volunteering under the Agreement does not have to volunteer to collect for an associate-member state.
- The Governing Board was created when the Agreement became effective and is now the sole body responsible for the administration of the Streamlined Agreement, including the work previously performed by the Streamlined Sales Tax Project and the Streamlined Sales and Use Tax Implementing States. Its members include the full-member states and associate-member states. Tennessee Department of Revenue Commissioner Loren L. Chumley has been elected to the Executive Committee of the Governing Board and will serve as a director.
- Sellers can now volunteer under the Agreement by registering through the Streamlined Central Registration System at www.sstregister.org/sellers. A seller that volunteers under the Agreement will be collecting tax in all full-member states and has the option to choose among the associate-member states whether it will collect tax for an associate-member state.
- For the first time ever, effective Oct. 1, 2005, Tennessee will be offering an **amnesty** program in accordance with all states participating as full members and associate members of the Streamlined Sales and Use Tax Agreement. Amnesty is available for sales or use taxes uncollected or unpaid on sales by retailers for any period prior to registration through the Streamlined Sales and Use Tax Agreement.

When does Streamlined legislation become effective in Tennessee?

Originally, Tennessee's law changes had an effective date that was contingent on the effective date of the Streamlined Sales and Use Tax Agreement. In 2004 the legislature passed legislation making the conforming Streamlined legislation effective July 1, 2005, except for the provisions related to the removal of the single article cap limitations that were scheduled to take effect Jan. 1, 2006. However, in 2005, legislation was passed that postponed the effective date of Tennessee's Streamlined law changes including the removal of the single article cap limitations to July 1, 2007. Effective July 1, 2007, the Streamlined legislation will remove single article cap limitations except in the case of sales of motor vehicles, boats, planes, and mobile or manufactured homes.

How will Streamlined Sales Tax affect Tennessee?

In order to make it possible for Tennessee to become a Streamlined member state, Tennessee's legislature had to make numerous changes to Tennessee's sales and use tax laws. The legislature did this by enacting Chapter 357 of the Public Acts of 2003, Chapter 959 of the Public Acts of 2004, and certain sections of Chapter 499 of the Public Acts of 2005. In making these changes, we have tried to mirror what we do today and to keep the overall effect of the changes as revenue neutral as possible. In some cases, special tax rates may have been increased or decreased to the current general state tax rate of 7 percent plus the applicable local tax rate. The reduced 6 percent state tax rate on food does not change as result of Streamlined. In other cases, partial exemptions may have been expand or repealed. Many changes made by Tennessee's Streamlined legislation simply shift provisions of the existing sales tax law to a privilege tax to preserve existing tax rates and exemption provisions.

What is the biggest change under Streamlined Sales Tax?

The most fundamental change under Streamlined Sales Tax is how we determine which state and local jurisdiction has the right to tax a transaction. Determining which jurisdiction has the right to tax is called "sourcing." Under Streamlined, Tennessee and other Streamlined member states will determine which jurisdiction has the right to tax a transaction based upon destination or receipt by the purchaser.

Out-of-State Delivery Example:

Customer orders tangible personal property from a Tennessee dealer. The tangible personal property is shipped to the customer in another state.

Old Law	Public Chapter 357
Tennessee tax applies if title or possession to goods passed in Tennessee.	No Tennessee tax due; other state's tax law applies regardless of any indication of title or risk of loss passing in Tennessee.
To determine where title passes, Tennessee has looked to whether goods were delivered by the seller or by common carrier, who arranged shipping, and what the shipping documents say regarding passage of title.	Note that the sale is sourced to the state and local jurisdiction in which the customer receives the product regardless of how the product is delivered and who delivers it.

In-State Delivery Example:

Memphis customer orders tangible personal property from a Gatlinburg dealer. The personal property is shipped to the customer in Memphis.

Old Law	Public Chapter 357
Tennessee state and local tax applies.	Tennessee state and local tax applies.
The Tennessee local rate to be applied and reported to the department is the local tax rate for the business location of the seller.	The Tennessee local rate to be applied and reported to the department is the local tax rate where the customer takes delivery or receipt of the product regardless of how the product is delivered and who delivers it.

Under Streamlined Sales Tax, receipt by a shipper *never* determines the location of a sale.

NOTE: The majority of sales are over-the-counter sales, and there will be no change to the sourcing of over-the-counter sales.

There is an easily accessible **tax rate and local jurisdiction boundary address and zip code database** available on Revenue's Web site. By typing the street address, city and zip code, it will provide you with the local tax jurisdiction and the applicable tax rate for that jurisdiction. This address-based database is available in a downloadable version that can be integrated with taxpayers' software. Tennessee's database has been constructed in accordance with the standards approved by the Governing Board. The department and legislature continue to look for ways to assist taxpayers with the change to destination sourcing required under the Streamlined Agreement.

How is Revenue educating customers about the changes?

- The Department of Revenue is working on a comprehensive education campaign to advise taxpayers of the changes that will be effective July 1, 2007, for Tennessee to be in compliance with the Agreement.
- The department is providing trained speakers on the changes to organizations across the state.
- The department has made in excess of 120 Streamlined presentations since 2003 to organizations across the state regarding Streamlined and the changes Tennessee will be making.
- Revenue has one of the more comprehensive Web sites of state governments. The department has extensive information regarding the Streamlined Sales and Use Tax in Tennessee, including Streamlined questions and answers and user-friendly online training in a PowerPoint format.

For More Information

- Volunteer under the Streamlined Sales and Use Tax Agreement and register through the Streamlined Central Registration: Visit www.sstregister.org/sellers.
- Amnesty in Tennessee: Visit www.Tennessee.gov/revenue/streamlined/amnesty.
- Streamlined hot line: In Tennessee, call (877) 250-2299. In Nashville and outside Tennessee, call (615) 253-0752.
- Streamlined online assistance by e-mailing Streamlined.Salestax.QandA@state.tn.us.
- Web link: www.Tennessee.gov/revenue/streamlined.
- E-mail updates: Sign up by visiting www.Tennessee.gov/revenue and clicking on [Subscribe to Revenue-News](#).
- Speakers bureau: (615) 741-2461.

Tennessee Department of Revenue

The Department of Revenue collects approximately 92 percent of total state tax revenue. During the 2004-2005 fiscal year, the department collected \$9.6 billion in state taxes and fees. In addition to collecting state taxes, \$1.7 billion of local sales tax was collected by the department for local governments during the 2004-2005 fiscal year. Besides collecting taxes, the department enforces the revenue laws fairly and impartially in an effort to encourage voluntary taxpayer compliance. The department also apportions revenue collections for distribution to the various state funds and local units of government. To learn more about the department, log on to www.Tennessee.gov/revenue.